

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) was provided to the Commission for its review at least five business days prior to the filing date; and (4) does not become operative for 30 days from October 11, 1995, the rule change proposal has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. In particular, the Commission believes the proposal qualifies as a "noncontroversial filing" in that the proposed amendments do not significantly affect the protection of investors or the public interest and do not impose any significant burden on competition. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference

Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-55 and should be submitted by December 20, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36504; File No. SR-PSE-95-18]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Approving a Proposed Rule Change Relating to Increased Position and Exercise Limits on the PSE Technology Index

November 22, 1995.

On August 21, 1995, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to increase the existing position and exercise limits for options on the PSE Technology Index ("Technology Index" or "Index") and change the terms of option contracts overlying the Index from closing price (p.m.) settlement to opening price (a.m.) settlement.

Notice of the proposed rule change was published for comment and appeared in the Federal Register on August 31, 1995.³ No comments were received on the proposal. The portion of the filing relating to a.m. settlement of Technology Index options was approved by the Commission and appeared in the Federal Register on September 21, 1995.⁴ This order approves the remaining portion of the filing relating to increased position limits.

I. Description of the Proposal

On November 26, 1991, the Commission approved an exchange proposal to re-classify the Technology Index as a broad-based index for position limit and customer margin

purposes.⁵ The Index is price-weighted and comprised of 100 stocks that are intended to represent a broad spectrum of companies principally engaged in manufacturing and service-related products within advanced technology fields.⁶ The PSE currently lists European-style,⁷ a.m. settled⁸ options based on the Index.

The Exchange is proposing to set new position and exercise limits for options on the Index at 37,500 contracts on the same side of the market (versus the current 15,000 contract level), with no more than 22,500 of such contracts in the series with the nearest expiration date. The Exchange has compared the Index with indexes traded on other exchanges and believes, based on such data, that the proposed position and exercise limits are consistent with the existing limits for broad-based index option contracts traded at the other exchanges.⁹

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5),¹⁰ in particular, in that it should help remove impediments to and perfect the mechanism of a free and open market, promote just and equitable principles of trade and protect investors and the public interest. Specifically, the Commission believes that the PSE's proposal to increase position and exercise limits on the Technology Index to 37,500 contracts could increase the depth and liquidity of the Technology Index options market¹¹ without significantly increasing concerns regarding intermarket manipulations or disruptions of the market for the options

⁵ Securities Exchange Act Release No. 29994, 56 FR 63536 (Dec. 4, 1991). The Commission initially approved options trading on the Index in November 1983. See Securities Exchange Act Release Nos. 20424, 48 FR 54557 (Dec. 5, 1983); and 20499, 48 FR 58880 (Dec. 23, 1983).

⁶ On September 12, 1995, the PSE reduced the value of the Technology Index from 420.54 to 210.27. Options on the Index commenced trading on September 18, 1995.

⁷ A European-style option may only be exercised during a specified period prior to expiration.

⁸ A.M. settlement methodology utilizes opening market prices for the underlying securities rather than closing market prices.

⁹ The Exchange has compared the Index to the following indexes: Russell 2000 Index, S&P 400 Index, S&P 600 Index, Wilshire Small-Cap Index and National Over the Counter Index.

¹⁰ 15 U.S.C. 78f(b)(5) (1982).

¹¹ The increase in position limits could increase market depth and liquidity by giving institutional investors wider latitude in trading to manage their portfolios.

² 17 CFR 200.30-3(a)(12) (1944).

¹ 15 U.S.C. 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR § 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 36146 (August 23, 1995), 60 FR 45509.

⁴ See Securities Exchange Act Release No. 36236 (Sept. 14, 1995), 60 FR 49031.

or the underlying securities. Markets that exhibit active and deep trading, as well as broad public ownership, are more difficult to manipulate or disrupt than less active markets with smaller public floats. In this regard, the Technology Index is a broad-based price-weighted index consisting of 100 actively traded technology stocks in the U.S. Accordingly, given the size and breadth of the Index, the Commission believes that increasing position limits to 37,500 contracts will not significantly increase any manipulative concerns. In addition, the Exchange's surveillance program will continue to be applicable to the trading of Technology Index options and should detect and deter any potential trading abuses arising from the increased position and exercise limits.

The Exchange submitted data comparing the Technology Index to several other broad-based indexes, including the Russell 2000 Index, Standard & Poor's 400 and 600 Indexes, the Wilshire Small Cap Index and the National Over-the-Counter Index. The Commission believes that the comparative data confirms that the proposed Technology Index position limits of 37,500 contracts are similar to those of the other options exchanges on similar indexes. For example, as of September 22, 1995, the S&P 400 Index had an index value of 214.46 and position limits of 45,000 contracts, creating a maximum attainable position of approximately \$970 million.¹² As of the same date, the Technology Index proposed position and exercise limits of 37,500 contracts had a maximum attainable position of \$773 million.¹³

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-PSE-95-18) relating to increased position and exercise limits on the Technology Index is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,
Deputy Secretary.

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¹² This figure is attained from multiplying the index value times the position limit times the 100 multiplier (215.46 × 45,000 × 100).

¹³ 206.28 × 37,500 × 100. The Commission notes that it may be appropriate for position and exercise limits on certain price-weighted indexes to be somewhat lower than the limits for similarly constructed capitalization-weighted indexes.

¹⁴ 15 U.S.C. 78s (b)(2) (1988).

¹⁵ 17 CFR § 200.30-3(a)(12) (1994).

[Release No. 34-36503; File No. SR-PHILADEP-95-07]

Self-Regulatory Organizations; The Philadelphia Depository Trust Company; Order Granting Approval of a Proposed Rule Change Implementing the Fully Automated Securities Transfer Reconciliation Accounting Control System

November 22, 1995.

On July 14, 1995, the Philadelphia Depository Trust Company ("PHILADEP") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PHILADEP-95-07) under section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ seeking permanent approval for the Fully Automated Securities Transfer Reconciliation Accounting Control System ("FASTRACS").² Notice of the proposal was published in the Federal Register on September 28, 1995.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

FASTRACS is an automated program by which PHILADEP and participating transfer agents use master balance certificates to evidence the number of securities of a particular issue that are registered in PHILADEP's nominee name.⁴ The transfer agents maintain custody of the securities in the form of balance certificates and adjust daily the balance certificates to reflect PHILADEP's withdrawal and deposit activity.

PHILADEP has provided the Commission with copies of the test results of FASTRACS activity during the temporary approval period of the three

¹ 15 U.S.C. 78(b)(1) (1988).

² On July 19, 1994, the Commission approved a proposed rule change establishing a pilot program for FASTRACS for the transfer of certain securities between PHILADEP and certain transfer agents. Securities Exchange Act Release No. 34404 (July 19, 1994), 59 FR 38010 [File No. SR-PHILADEP-90-03] (order approving FASTRACS program on a temporary basis). On May 4, 1995, the Commission extended its approval of the pilot program through December 29, 1995. Securities Exchange Act Release No. 35676 (May 4, 1995), 60 FR 24951 [File No. SR-PHILADEP-94-06] (order granting temporary approval of a proposed rule change extending the pilot program for FASTRACS until December 29, 1995). The Commission extended the temporary approval of the FASTRACS program so that PHILADEP could complete adequate testing. The program was limited to three transfer agents for the duration of the temporary approval period.

³ Securities Exchange Act Release No. 36264 (September 21, 1995), 60 FR 50232.

⁴ For a complete description of FASTRACS, refer to Securities Exchange Act Release No. 34404, *supra* note 2.

designated transfer agents. PHILADEP states that FASTRACS has enhanced PHILADEP's operational efficiency, has substantially reduced its burdens in reconciling its positions, and has saved costs associated with these functions. PHILADEP represents that it has encountered no significant operational problems and believes the system operated effectively during the testing phase. Furthermore, PHILADEP believes the current filing is consistent with the Commission's Direct Registration System ("DRS") initiative insofar as DRS, among other things, will compel PHILADEP and other participating clearing agencies to establish fully operational automated programs for the transfer of certain securities between participating clearing agencies and their transfer agents.⁵

II. Discussion

Sections 17A(b)(3) (A) and (F)⁶ of the Act require that a clearing agency be organized and its rules be designed to facilitate and promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds in its custody or control or for which it is responsible. The Commission believes PHILADEP's proposal is consistent with sections 17A(b)(3)(A) and (F) of the Act because it should alleviate some of the inefficiencies associated with the physical transfer of securities and should reduce PHILADEP's burdens in reconciling its positions. The transfer of securities should be faster and more efficient with the likely effect of reducing costs related to the preparation of written instructions and physical delivery of the securities. FASTRACS also should help PHILADEP fulfill its safekeeping obligations by allowing PHILADEP to maintain securities in a form that should reduce the chances of loss and theft. Furthermore, the current filing is consistent with the Commission's Direct Registration System ("DRS") initiative.

III. Conclusion

On the basis of the foregoing, the Commission finds that PHILADEP's proposed rule change is consistent with the requirements of the Act and particularly with section 17A of the Act and the rules and regulations thereunder.

⁵ For a complete description of DRS, refer to Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 [Filed No. S7-34-94] (concept release soliciting comment on proposed transfer agent operated direct registration system).

⁶ 15 U.S.C. 78q-1(b)(3)(A) and (F) (1988).